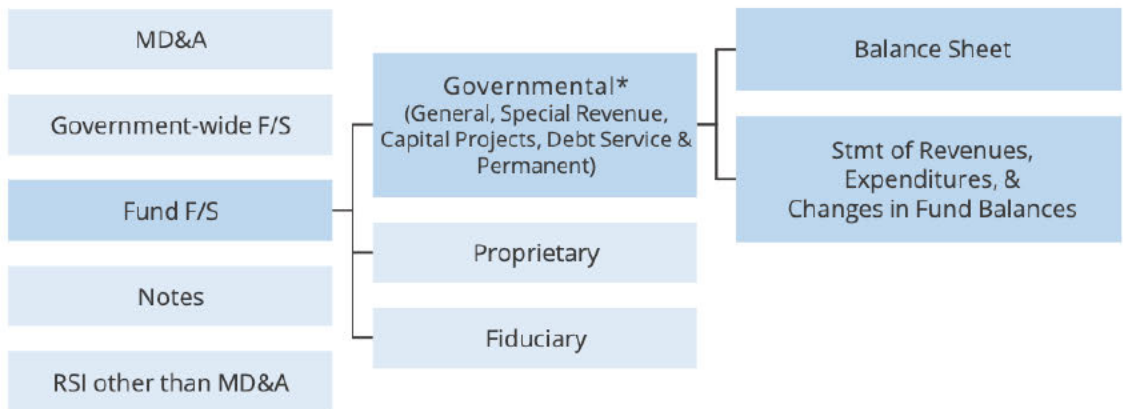


20.04 Fund Financial Statements & Governmental Funds

Overview



**Modified accrual basis, Current financial resources approach*

3 - Fund Financial Statements

The third section of the report includes information about individual funds and component units. In addition to government-wide statements, GASB 34, as amended by GASB 63, requires several fund F/S. Most governments use fund accounting internally and prepare the government-wide statements with worksheet adjustments from this fund accounting base.

Fund F/S use **fiscal accountability**, which shows the organization's compliance with laws and regulations affecting its spending activities.

Fund F/S are presented separately for the **governmental, proprietary, and fiduciary fund** categories. Each government has only one general fund; each other fund type may have any number of individual funds, although GASB encourages having as few funds as possible. Fixed assets and long-term debt are not reported in the fund F/S, only in the government-wide F/S.

There will be four complete sets of F/S in most cases.

- **Governmental Funds** – General fund, Special revenue, Capital projects, Debt service & Permanent
 - A **balance sheet** and **statement of revenues, expenditures, and changes in fund balance** will be prepared with columns for each major fund and a total for all minor funds.
 - This time, the reporting will be on a **modified accrual** basis, with a reconciliation of the numbers to the government-wide F/S that were prepared on an accrual basis (and which included the internal service funds).
 - There is no need to identify the specific fund type (special revenue, capital projects, etc.) for the different major funds being reported.
 - The Balance Sheet would also include deferred outflows of resources and deferred inflows of resources, like the government-wide statement of net position.

Governmental Fund F/S – Modified accrual basis, Current financial resources approach, current assets and liabilities only, no fixed assets or L/T debt

- **Balance sheet** (Current Assets + Deferred Outflows = Current Liabilities + Deferred Inflows + Fund balance)
 - Fund balance (5 categories)
 - Reconcile fund balance to statement of N/A Government wide (Gov. Activities)
- **Statement of revenues, expenditures, and changes in fund balances**
 - Reconcile revenue and expenditure from modified accrual to accrual

The reconciliation of the governmental fund balance to the government-wide statement of net position includes adjustments for fixed assets, issuance of long-term debt, debt service payments, revenue recognition, accrual of revenue and expenses (modified accrual vs. accrual) and must also include the Internal Service fund. The reconciliation will appear as follows:

| Alexes City Reconciliation of Governmental Fund Balances to Net Position of Governmental Activities <i>December 31, 20X1</i> | |
|---|---------------------|
| Total governmental fund balances | \$10,000,000 |
| Long-term assets used by governmental funds | 61,000,000 |
| Internal service fund balances | 1,000,000 |
| <u>Long-term liabilities incurred by governmental funds</u> | <u>(30,000,000)</u> |
| Net Position of governmental activities | \$42,000,000 |

There may be constraints on how funds can be spent. As a result, there are **five fund balance classifications** that are classified in a hierarchy that is designed to indicate the extent to which government is bound to honor those constraints. The classifications, ranging from the *most restrictive to the least restrictive*, are:

- A **nonspendable fund balance** includes funds that cannot be spent for one of two reasons:
 - They are not in spendable form, such as assets like inventories or prepaid expenses that are not expected to be converted into cash; and long-term loans or notes receivable and property held for resale, unless they are restricted, committed, or assigned.
 - They are legally or contractually required to be maintained, such as the principal balance of a permanent fund.
- A **restricted fund balance** includes funds that are restricted for a specific purpose. Restrictions may be:
 - Imposed externally, such as by creditors, grantors, contributors, or the laws or regulations of others
 - Imposed by law
- A **committed fund balance** includes funds that are required to be used for a specific purpose as a result of constraints imposed by the highest level of decision-making authority.

- An **assigned fund balance** includes funds that the government **INTENDS** to spend for a specific purpose but are not restricted or committed and do not require assignment by the highest level of decision-making authority.
- The **unassigned fund balance** includes all General funds that do not belong in another classification, such as not being restricted, committed or assigned to a specific purpose.

Sample City
BALANCE SHEET (GASB 54 classifications)
GOVERNMENTAL FUNDS
December 31, 20X1

| | General | HUD Programs | Community redevelopment | Route 7 construction | Other governmental funds | Total governmental funds |
|------------------------------------|--------------------|--------------------|----------------------------|-------------------------|--------------------------------|--------------------------------|
| Assets | | | | | | |
| Cash and cash equivalents | \$3,418,485 | \$1,236,523 | \$ - | \$ - | \$ 5,606,792 | \$ 10,261,800 |
| Investments | - | - | 13,262,695 | 10,467,037 | 3,485,252 | 27,214,984 |
| Receivables, net | 3,644,561 | 2,953,438 | 353,340 | 11,000 | 10,221 | 6,972,560 |
| Due from other funds | 1,370,757 | - | - | - | - | 1,370,757 |
| Receivables from other governments | - | 119,059 | - | - | 1,596,038 | 1,715,097 |
| Liens receivable | 791,926 | 3,195,745 | - | - | - | 3,987,671 |
| Inventories | <u>182,821</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>182,821</u> |
| Total assets | <u>\$9,408,550</u> | <u>\$7,504,765</u> | <u>\$13,616,035</u> | <u>\$10,478,037</u> | <u>\$10,698,303</u> | <u>\$ 51,705,690</u> |

Deferred Outflow

-Deferred loss on sale and leaseback of building
-Grant expenditures paid in advance of meeting timing requirements

Liabilities and fund balances

| | | | | | | |
|------------------------------|------------------|------------------|----------------|------------------|------------------|-------------------|
| Liabilities | | | | | | |
| Accounts payable | \$3,408,680 | \$129,975 | \$ 190,548 | \$1,104,632 | \$ 1,074,831 | \$ 5,908,666 |
| Due to other funds | - | 25,369 | - | - | - | 25,369 |
| Payable to other governments | 94,074 | - | - | - | - | 94,074 |
| Deferred revenue | <u>4,250,430</u> | <u>6,273,045</u> | <u>250,000</u> | <u>11,000</u> | <u>-</u> | <u>10,784,475</u> |
| Total liabilities | <u>7,753,184</u> | <u>6,428,389</u> | <u>440,548</u> | <u>1,115,632</u> | <u>1,074,831</u> | <u>16,812,584</u> |

Deferred inflows

-Deferred gain on sale and leaseback of building
-Grant amounts received in Advance of meeting timing requirements

Fund balances

| | | | | | | |
|---------------------|--------------------|--------------------|---------------------|--------------------|--------------------|---------------------|
| Nonspendable | 974,747 | | | | | 974,747 |
| Restricted | | | 100,000 | | | 100,000 |
| Committed | 40,292 | 41,034 | 19,314 | 5,792,587 | 1,814,122 | 7,707,349 |
| Assigned | | 1,035,342 | 13,056,173 | 3,569,818 | 7,809,350 | 25,470,683 |
| Unassigned | <u>640,327</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>640,327</u> |
| Total fund balances | <u>\$1,655,366</u> | <u>\$1,076,376</u> | <u>\$13,175,487</u> | <u>\$9,362,405</u> | <u>\$9,623,472</u> | <u>\$34,893,106</u> |

Amounts reported for governmental activities in the Statement of Net Position are different because:

| | |
|---|----------------------|
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | 161,082,708 |
| Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds. | 9,348,876 |
| Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position. | 2,994,691 |
| Long-term liabilities , including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. | (84,760,507) |
| Net Position of governmental activities | <u>\$123,558,874</u> |

Sample City
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 20X1

| | General | HUD programs | Community redevelopment | Route 7 construction | Other governmental funds | Total governmental funds |
|---|--------------------|--------------------|----------------------------|-------------------------|--------------------------------|--------------------------------|
| <u>Revenues</u> | | | | | | |
| Property taxes | \$51,173,436 | \$ - | \$ - | \$ - | \$4,680,192 | \$55,853,628 |
| Franchise taxes | 4,055,505 | - | - | - | - | 4,055,505 |
| Public service taxes | 8,969,887 | - | - | - | - | 8,969,887 |
| Fees and fines | 606,946 | - | - | - | - | 606,946 |
| Licenses and permits | 2,287,794 | - | - | - | - | 2,287,794 |
| Intergovernmental | 6,119,938 | 2,578,191 | - | - | 2,830,916 | 11,529,045 |
| Charges for services | 11,374,460 | - | - | - | 30,708 | 11,405,168 |
| Investment earnings | 552,325 | 87,106 | 549,489 | 270,161 | 364,330 | 1,823,411 |
| Miscellaneous | <u>881,874</u> | <u>66,176</u> | <u>-</u> | <u>2,939</u> | <u>94</u> | <u>951,083</u> |
| Total Revenues | <u>86,022,165</u> | <u>2,731,473</u> | <u>549,489</u> | <u>273,100</u> | <u>7,905,240</u> | <u>97,482,467</u> |
| <u>Expenditures Current</u> | | | | | | |
| General government | 8,630,835 | - | 417,814 | 16,700 | 121,052 | 9,186,401 |
| Public safety | 33,729,623 | - | - | - | - | 33,729,623 |
| Public works | 4,975,775 | - | - | - | 3,721,542 | 8,697,317 |
| Engineering services | 1,299,645 | - | - | - | - | 1,299,645 |
| Health and sanitation | 6,070,032 | - | - | - | - | 6,070,032 |
| Cemetery | 706,305 | - | - | - | - | 706,305 |
| Culture and recreation | 11,411,685 | - | - | - | - | 11,411,685 |
| Community development | - | 2,954,389 | - | - | - | 2,954,389 |
| Education—payment to school district | 21,893,273 | - | - | - | - | 21,893,273 |
| <u>Debt service</u> | | | | | | |
| -Principal | - | - | - | - | 3,450,000 | 3,450,000 |
| -Interest and other charges | - | - | - | - | 5,215,151 | 5,215,151 |
| <u>Capital outlay</u> | - | - | <u>2,246,671</u> | <u>11,281,769</u> | <u>3,190,209</u> | <u>16,718,649</u> |
| Total expenditures | <u>88,717,173</u> | <u>2,954,389</u> | <u>2,664,485</u> | <u>11,298,469</u> | <u>15,697,954</u> | <u>121,332,470</u> |
| Excess (deficiency) of revenues over expenditures | <u>(2,695,008)</u> | <u>(222,916)</u> | <u>(2,114,996)</u> | <u>(11,025,369)</u> | <u>(7,791,714)</u> | <u>(23,850,003)</u> |
| <u>Other Financing Sources (Uses)</u> | | | | | | |
| Proceeds of refunding bonds | - | - | - | - | 38,045,000 | 38,045,000 |
| Proceeds of long-term capital-related debt | - | - | 17,529,560 | - | 1,300,000 | 18,829,560 |
| Payment to bond refunding escrow agent | - | - | - | - | (37,284,144) | (37,284,144) |
| Transfers in | 129,323 | - | - | - | 5,551,187 | 5,680,510 |
| Transfers out | <u>(2,163,759)</u> | <u>(348,046)</u> | <u>(2,273,187)</u> | <u>-</u> | <u>(219,076)</u> | <u>(5,004,068)</u> |
| Total other financing sources and uses | <u>(2,034,436)</u> | <u>(348,046)</u> | <u>15,256,373</u> | <u>-</u> | <u>7,392,967</u> | <u>20,266,858</u> |
| <u>Special Item</u> | | | | | | |
| Proceeds from sale of park land | <u>3,476,488</u> | - | - | - | - | <u>3,476,488</u> |
| Net change in fund balances | (1,252,956) | (570,962) | 13,141,377 | (11,025,369) | (398,747) | (106,657) |
| Fund balances—beginning | <u>2,908,322</u> | <u>1,647,338</u> | <u>34,110</u> | <u>20,387,774</u> | <u>10,022,219</u> | <u>34,999,763</u> |
| Fund balances—ending | <u>\$1,655,366</u> | <u>\$1,076,376</u> | <u>\$13,175,487</u> | <u>\$9,362,405</u> | <u>\$9,623,472</u> | <u>\$34,893,106</u> |